

Charmar Water Company
Utility Exhibit One
Financial Statements

Charmar Water Company

Schedule A

BALANCE SHEET

December 31, 2002

ASSETS

LIABILITIES AND OTHER CREDITS

Plant In Service-Water	109,874
Accumulated Depreciation-Water	8,888
Net Utility Plant	\$ <u>100,987</u>
Construction Work In Process-Water	0
Current Assets	
Cash	0
Accounts Receivable - Net	1,419
Other Current Assets	<u>0</u>
Total	\$ <u>1,419</u>
TOTAL ASSETS	\$ <u><u>102,405</u></u>

Capital Stock and Retained Earnings	
Common Stock and Paid In Capital	\$ 58,704
Retained Earnings	49,305
Total	\$ <u>108,010</u>
Current and Accrued Liabilities	
Accounts Payable-Trade	0
Taxes Accrued	20
Customer Deposits	0
Customer Deposits - Interest	0
A/P - Assoc. Companies	(53,686)
Total	\$ <u>(53,666)</u>
Contributions In Aid of Construction-Water	1,807
Advances from UI	31,088
Accumulated Deferred Income Tax	
Unamortized ITC	3,533
Deferred Tax - Federal	11,633
Deferred Tax - State	0
Total	\$ <u>15,166</u>
TOTAL LIABILITIES AND OTHER CREDITS	\$ <u><u>102,405</u></u>

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<u>Operating Revenues</u>					
Service Revenues - Water	20,467		20,467	12,650 [a]	33,117
Miscellaneous Revenues	130		130		130
Uncollectible Accounts	(2)		(2)	(1) [b]	(3)
Total Operating Revenues	20,595	0	20,595	12,649	33,244
<u>Maintenance Expenses</u>					
Salaries and Wages	2,060	62 [c]	2,122		2,122
Purchased Power	1,606		1,606		1,606
Purchased Water	0		0		0
Maintenance and Repair	7,809		7,809		7,809
Maintenance Testing	1,048		1,048		1,048
Chemicals	0		0		0
Transportation	199		199		199
Operating Exp. Charged to Plant	(365)		(365)		(365)
Outside Services - Other	128		128		128
Total	12,484	62	12,546	0	12,546
<u>General Expenses</u>					
Salaries and Wages	904	27 [c]	931		931
Office Supplies & Other Office Exp.	364	188 [d]	552		552
Regulatory Commission Exp.	0	1,508 [e]	1,508		1,508
Pension & Other Benefits	631	456 [f]	1,088		1,088
Rent	19		19		19
Insurance	245	91 [g]	336		336
Office Utilities	93		93		93
Miscellaneous	50		50		50
WSC Allocation Decrease	0	(33) [h]	(33)		(33)
Total	2,305	2,237	4,543	0	4,543
Depreciation	1,990	358 [i]	2,348		2,348
Taxes Other Than Income	1,009	8 [j]	1,017	38 [j]	1,055
Income Taxes - Federal	119	(1,351) [k]	(1,232)	4,073 [k]	2,842
Income Taxes - State	(754)	563 [k]	(191)	631 [k]	440
Amortization of CIAC	(45)		(45)		(45)
Total	2,319	(421)	1,898	4,742	6,640
Total Operating Expenses	17,109	1,878	18,987	4,742	23,729
Net Operating Income	\$ 3,486	\$ (1,878)	\$ 1,609	\$ 7,907	\$ 9,516
Interest During Construction	(1,307)	1,307 [l]	0		0
Interest on Debt	3,108	891 [m]	3,999		3,999
Net Income	\$ 1,685	\$ (4,076)	\$ (2,391)	\$ 7,907	\$ 5,516

- [a] Revenues are annualized at proposed rates using the average test year customers.
- [b] Uncollectible Accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro-forma proposed revenues.
- [c] Salaries and Wages are adjusted by a 3% increase to represent anticipated raises that will be initiated by year-end.
- [d] Office Supplies and Other Office Expenses have been increased to account for the increase in bank charges, postage, and office supplies due to a change from a quarterly billing bycle to a monthly billing cycle.
- [e] Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 3 years. This adjustment does not include the expense of a cost of capital witness as the Utility does not anticipate using one. However, the Utility reserves the right to use a cost of capital witness and will be requesting actual rate case expense at the time of the hearing in the form of a late filed exhibit.
- [f] Pension and Other Benefits have been adjusted to reflect the rising costs of health insurance and the 3% increase in Salaries and Wages.
- [g] Insurance is adjusted by a 36.88% increase to represent the anticipated increase in costs of Automobile, Workers' Compensation, and Property Insurance.
- [h] An adjustment for an increase in the expenses allocated by Water Service Corp. reflects the increase in Common Expenses and Computer Related Expenses incurred between the test year and the prior year. The Company anticipates a similar increase in allocated expenses at year-end.
- [i] Depreciation Expense has been adjusted to reflect the additional expense incurred to change from the composite method of calculating depreciation to the class-of-asset method. This change in calculation methods is consistent with Commission practice in prior rate proceedings.
- [j] Taxes Other than Income is adjusted for annualized Utility Commission Taxes and Gross Receipts Taxes and for the 3% increase in Payroll Taxes due to the 3% increase in Salaries and Wages.
- [k] Income Taxes are computed on taxable income at current rates.

Charmar Water Company
 Rate Base and Rate of Return
 Test Year Ended December 31, 2002

Schedule C

	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	\$ 3,486	(1,878)	\$ 1,609	7,907	\$ 9,516
Gross Plant In Service	\$ 109,874	(19,554) [a]	90,320		\$ 90,320
Accumulated Depreciation	(8,888)	1,582 [a]	(7,306)		(7,306)
Net Plant In Service	100,987	(17,973)	83,014		83,014
Cash Working Capital	1,975	288 [b]	2,263		2,263
Contributions In Aid of Construction	(1,807)		(1,807)		(1,807)
Accumulated Deferred Income Taxes	(11,633)		(11,633)		(11,633)
Customer Deposits	0		0		0
Plant Acquisition Adjustment	0		0		0
Water Service Corporation	1,953		1,953		1,953
Pro Forma Plant	0	27,565 [c]	27,565		27,565
Total Rate Base	\$ 91,475	\$ 9,881	\$ 101,355	\$ 0	\$ 101,355
Return on Rate Base	3.81%		1.59%		9.39%

[a] Retirements are generally calculated using the Handy-Whitman index. However, the tank that was replaced has an original purchase date of 1957, and the index only calculates retirements as far back as 1970. Therefore, the Company multiplied the cost of the new tank by 75% (\$19,554) and retired that amount. This is consistent with prior retirements that were not able to utilize the Handy-Whitman index. The adjustment to Accumulated Depreciation was then calculated based on this retirement.

[b] Working Capital is calculated based on pro forma expenses.

[c] Pro Forma Plant is adjusted for planned additional capital investments.

Test Year Ended December 31, 2002

TEST YEAR / PRESENT REVENUES

WATER

<u>Bill code</u>	<u>Gallonage</u>	<u>Usage Charge</u>	<u>Units</u>	<u>Bi-Monthly BFC</u>	<u>Revenues</u>
<u>All Subs:</u>					
01801	3,175,432	\$5.10	312	\$ 12.50	\$ 20,095
Total	<u>3,175,432</u>		<u>312</u>		<u>\$ 20,095</u>

per t/b	\$	20,467
difference \$	\$	(372)
difference %		-1.82%

PROPOSED REVENUES

WATER

<u>Bill code</u>	<u>Gallage</u>	<u>Usage Charge</u>	<u>Units</u>	<u>Monthly BFC</u>	<u>Revenues</u>
<u>All Subs:</u>					
01801	3,175,432	\$7.38	624	\$ 15.50	\$ 33,117
Total	<u>3,175,432</u>		<u>624</u>		<u>\$ 33,117</u>

Difference	\$ 12,650
% Increase	61.81%